

# Fiscal Year 2003 Annual Report

## Committee of Consumer Services

The Utah Committee of Consumer Services, a State agency within the Utah Department of Commerce, celebrated its 25th Anniversary on 1 July 2002. The Committee was created by the 1977 General Session of the Utah Legislature to represent the interests of residential and small commercial utility customers.

It is conservatively estimated that the Committee's activities over its first quarter century saved Utahns more than \$1 billion. The Utah Chapter of the American Society for Public Administration presented its 2003 Board and Commission Award of Excellence to the Committee in appreciation for its outstanding service.

During the fiscal year, July 2002 to June 2003, the Committee considers that its efforts have saved utility customers an additional \$46M. The Committee worked to ensure safe, reliable and reasonable service in electricity, natural gas and telecommunications.

### **Electricity**

- In the fall of 2002, PacifiCorp (which operates as Utah Power) sought a \$3.75 million annual increase in depreciation costs. The Committee was instrumental in saving customers \$9.65 million a year from January 2004. The Committee argued for a decrease, based mostly on lower estimates of the cost of taking plant out of service at the end of its economic life, and a reduction of \$5.9M was agreed.
- Encouraging and providing incentives for customers to reduce their need for electricity – called demand-side management (DSM) – can be a lower cost alternative to buying energy or building power stations, especially if consumption can be reduced at peak hours. The Committee investigated and supported three DSM programs that were proposed by PacifiCorp for the summer of 2003. The programs provided cash incentives to encourage residential and small business customers to do the following:
  1. Replace and recycle old refrigerators with new, more energy-efficient ones.
  2. Purchase higher-efficiency evaporative and central air conditioning systems.
  3. Allow PacifiCorp to install a radio switch on their central air conditioners and remotely turn them off for short periods during hot afternoons to reduce overall electricity usage.

A Task Force has been exploring ways of encouraging large industrial and commercial customers to shift their use of electricity to off-peak periods. The Committee is an active participant, and hopes that a formula can be found to

reduce costs for everybody. The Committee also hired experts to help it examine an application filed by PacifiCorp to recover costs incurred for these and other DSM programs, and participated in negotiations with PacifiCorp and other parties to protect Utah customers.

- In an ongoing process, the Committee examined and commented on PacifiCorp's latest Integrated Resource Plan (IRP). Each IRP forecasts the likely demand for power up to twenty years into the future, examines options for providing the needed electricity and identifies the least costly alternatives. The 2003 IRP projects that PacifiCorp will require an additional 4000 megawatts over the next ten years. PacifiCorp has met often with customer and supplier representatives to discuss fair ways to acquire additional power most economically. The Committee has both encouraged that process and taken an active role in it. As a result of the Committee's efforts, the procedures for purchasing energy that PacifiCorp has developed are more open to scrutiny and are more likely to encourage potential suppliers to offer electricity to the Company. Although these results are probably unquantifiable, they should help to keep electricity bills down for customers.
- During 2002, the Home Electric Lifeline Program (HELP) assisted more than 24,000 households. PacifiCorp's low-income Utah customers are eligible to receive an \$8 monthly credit on their electricity bills. More than 110 customers who also need electrically powered life support equipment in their homes received an additional \$10 credit each month. The Committee has consistently supported HELP, which is funded by a line item charge on all PacifiCorp bills—residential customers pay 12 cents a month, small commercial customers pay 27 cents and agricultural irrigation customers 62 cents.
- Throughout the year, the Committee participated in multi-state discussions aimed at determining how PacifiCorp's rates can most fairly be set in the six states it serves: California, Idaho, Oregon, Utah, Washington and Wyoming.

### **Natural Gas**

- Questar Gas Company (QGC) filed for a \$23 million rate increase in May 2002. Based on testimony provided by the Committee and other intervening parties, the Commission approved an increase of just over \$11 million, less than half of the amount sought by the Company.
- During October 2000, the Committee appealed a decision of the Public Service Commission to the Utah Supreme Court. During the 1990s, Questar Pipeline Company (QPC) agreed to accept gas from an area near Price, Utah, and transport it on its interstate pipeline. The agreement meant that the Wasatch Front would get the new gas, which has different combustion qualities, instead of the kind it had previously received, which came mostly from the Uintah Basin. QGC

expressed concerns that the new gas might not burn safely in furnaces and water heaters set up for the traditional kind of gas. It asked the Commission for a rate increase to pay the cost of processing the new gas for ten years while appliances were adjusted. In August 2000, the Commission allowed the Company to increase its rates by \$5 million a year. The Committee said QGC shouldn't be allowed to charge its customers to solve a problem QPC had caused because it wanted to earn money by transporting the new gas. The Committee, upon learning that the managers of the two – supposedly separate – companies were actually the same people, filed an appeal with the Utah Supreme Court in August 2000. The Court heard oral arguments in June, and reversed the Commission's Order on 1 August 2003. The Committee has asked the Commission to reduce QGC's rates by \$5 million a year and refund more than \$20 million that the Company has already collected from customers.

- During 2002, the Weatherization Program helped to reduce the energy needs of more than 460 low-income families. Utah's natural gas customers contribute \$250,000 (less than 1 cent in every \$20 of their gas bills) each year to repair or replace furnaces and water heaters, and insulate and draft-proof homes, for those least able to afford their energy bills. The Committee has consistently supported this program, which helps reduce costs for all customers by reducing the overall demand for natural gas. It is expected that at least 600 more homes will be weatherized during 2003.

### **Telecommunications**

- In August 2002, Qwest asked the Commission to approve the sale of its directory business, QwestDex. Telephone companies originally compiled directories to help their customers contact one another, and to reduce operator assistance costs. They were allowed to recover the investments they made and the costs they incurred in providing this service to their customers in the rates they charged. More recently, sales of advertising in the Yellow Pages have become extremely profitable. The Committee has consistently argued that those profits should offset the other costs of local telephone service. The Commission and the Supreme Court of Utah have upheld that view and, consequently, Qwest's rates have been some \$30 million a year lower than they otherwise would be as a result. Primarily, as a result of the Committee's efforts, Qwest agreed that it would maintain the reduced rates and would return an additional \$22 million from the proceeds of the sale to its Utah customers. Hence, Qwest residential and small business customers will receive a one-time credit of \$34.25 on their monthly bill in September or October 2003.
- In September 2002, Qwest asked the Commission to allow it to raise or lower its prices, at very short notice and without the customary detailed oversight, where there are competing local telephone service providers. The Commission agreed with the Committee's recommendations that pricing flexibility should only be

permitted in those specific localities where true competition exists and be subject to caps to prevent future increases above present rates.

- In May 2002, the Uintah Basin Telecom Association and its wholly owned subsidiary, UBET Telecom Inc, asked the Commission to approve rates for extended area service (where flat rates replace toll charges) between the two companies' exchanges. The Committee pointed out that the companies had not shown that the proposed rates were cost based, and it appeared that Duchesne, Roosevelt and Vernal customers would be subsidizing those in the smaller communities of the Uintah Basin. The Commission allowed the proposal to proceed, but adopted the Committee's recommendation that there should be a thorough traffic and cost study, and that rates should then be trued up so they are fair to all the customers involved.

### ***Legislation Updates***

- During the 2003 General Session, and the 2002 and 2003 Interim sessions, of the Utah State Legislature, the Committee commented on proposed legislation that might impact residential and small commercial utility customers. Despite the Committee's best efforts, Senate Bill 61 passed.
- The Committee also pointed out the likely cost to customers of bills encouraging renewable energy (more than \$100 million over the first 10 years) and increasing 911 taxes on telephone bills (about \$10 million a year). Legislators responded positively in both these cases.
- The Commission lacks authority to oversee the billing and customer service practices of cellular and long-distance providers. An increasing number of customers are dissatisfied, but unsure how to get their complaints resolved effectively. The Committee supported a Bill intended to enable the Commission to facilitate an effective process. Although it did not pass, the problem has received further consideration during the 2003 Interim Session.
- The Federal Energy Regulatory Commission has proposed rules to establish a Standard Market Design for electricity transmission across the United States. The Committee has repeatedly collaborated with agencies in a number of other states to explain how the proposed rules would increase costs and reduce reliability for customers.

